



UK Government

Draft social and environmental guidance to the Gas and Electricity Markets Authority



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Section 1: Background to the social and environmental guidance – Legal context

This section sets out, for reference, the legislative context under which the Secretary of State is issuing this social and environmental guidance to the Gas and Electricity Markets Authority ('the Authority').

1. Section 3B of the Electricity Act 1989 provides that “the Secretary of State shall from time to time issue guidance about the making by the Authority of a contribution towards the attainment of any social or environmental policies set out or referred to in the guidance”, and that the Gas and Electricity Markets Authority “shall, in carrying out its functions [...] have regard to any guidance issued.”
2. The Energy Act (EA) 2013 later provided for the Secretary of State to prepare a Strategy and Policy Statement (SPS) setting out, amongst other things, the government’s strategic priorities in formulating its energy policy for Great Britain, as well as the policy outcomes to be achieved as a result of the implementation of that policy. EA 2013 requires the Authority to “have regard” to the strategic priorities, and requires the Secretary of State and the Authority to carry out their respective functions in the manner best calculated to further the delivery of the policy outcomes.¹ The intention of the EA provision was to enable the SPS to replace the existing social and environmental guidance, although the legislative power to issue that guidance remains in place and has not yet been repealed.²
3. The SPS is now the principal mechanism through which the Secretary of State communicates the government’s strategic priorities to the Authority. Further reform of the Authority’s legislative framework will be set out in the Energy Independence Bill and will come into force as and when that bill ultimately receives Royal Assent.³ This follows the recent Ofgem review, which recommended that the government streamline the Authority’s existing duties to provide a clearer, strategic framework, including two additional principal objectives on an equal footing, for facilitating net zero and promoting economic growth.⁴
4. The Secretary of State may nevertheless continue to issue social and environmental guidance from time to time, when required. The Authority is required to have regard to this guidance when discharging the statutory functions to which its principal objective and general duties apply. The Authority should consider such guidance as supplementary to the SPS. Correspondingly, the Authority should continue to have regard to the SPS and take into account, as appropriate, the wider statutory and governance framework within which it operates.

¹ [Energy Act 2013](#)

² DECC (2013) '[Energy Act: Ofgem strategy and policy statement](#)'

³ House of Lords Library (2026) '[King’s Speech 2026: Energy, environment and animal welfare](#)', page 10

⁴ DESNZ (2026) '[Ofgem Review: final report](#)'

5. **The Secretary of State is now issuing new guidance under s. 3B of the Electricity Act, set out at sections 2, 3, and 4 of this document. The considerations in sections 3 and 4 should be read as applying exclusively to the Authority's relevant functions as they relate to electricity networks.**
6. The government considers that the guidance is consistent with the Authority's statutory duties and responsibilities. If, however, at any point, the Authority foresees any actual or potential difficulties in reconciling the energy policy goals and targets set out in this guidance with its own regulatory responsibilities or policies, the government encourages the Authority to seek discussion of such issues.
7. The Secretary of State has the power to issue further guidance as he sees fit, and otherwise this guidance should last until a new Strategy and Policy Statement is issued.

Section 2: Social and environmental guidance – Growth as a government mission

This section sets out the policy context in which this guidance is being issued. The Authority is asked to consider this background when assessing and explaining how it has regard to the considerations set out in Section 3.

8. In June 2025, the government published its Modern Industrial Strategy and Clean Energy Jobs Plan, setting out that the UK has major growth opportunities in Clean Energy Industries – across wind, nuclear fission and fusion, carbon capture usage and storage (CCUS), hydrogen, and heat pumps. This included supporting electricity networks as a foundational enabler to growth. The Industrial Strategy set out the absolute imperative of harnessing these opportunities by incentivising companies to build in Britain, thereby protecting the economy and building an energy system that brings down bills for households and business for good.⁵
9. Growth also has significant potential to bring social and environmental benefits to the UK. As outlined in the Clean Energy Jobs Plan, the government's goal is to create hundreds of thousands of good jobs across every nation and region of the UK driven by growth in the Clean Energy Industries.⁶ Growing the UK's Clean Energy Industries and boosting domestic supply chains for electricity networks are also fundamental to enabling clean power projects to connect to the grid and supporting wider industry to decarbonise – both of which carry clear environmental benefits. Shorter supply chains can also carry wider environmental advantages, for instance by reducing emissions.⁷

⁵ DBT (2025) '[The UK's Modern Industrial Strategy](#)', pages 14, 42 & 122

⁶ DESNZ (2025) '[Clean Energy Jobs Plan](#)'

⁷ The environmental benefits of shorter supply chains are a measurable outcome for the Clean Industry Bonus. See DESNZ (2024) '[CfD AR7: Clean Industry Bonus Allocation Framework, 2024](#)'.

10. The government considers this growth opportunity to be particularly significant and time-critical in electricity networks. Networks are essential enablers for economic growth, and there is currently a strong opportunity to boost domestic production in the networks supply chain. Supporting this remains a key government priority – as recently demonstrated by the National Wealth Fund’s £600m in lending provided to Iberdrola/Scottish Power (mobilising £750m private finance) and £800m guarantee to SSEN Transmission⁸ – alongside the wider growth of the sector described in the Electricity Networks Sector Growth Plan Interim Report. The Chancellor’s recent letter to government departments (21 May 2026) likewise underlined the importance of energy infrastructure for fostering a resilient economy that supports British businesses and creates good quality jobs and apprenticeships in communities across the country.
11. While the Energy Independence Bill is expected to make changes to the Authority’s legislative framework in due course, including to underline the importance of growth, the government believes it is essential to act now by providing further guidance to the Authority on growth in electricity networks. This will enable us to maximise the upside opportunity in this sector and deliver growth for the UK as a whole.

Section 3: Social and environmental guidance – Electricity networks

This section sets out the considerations to which the Authority shall have regard when carrying out its functions.

12. The government considers that the Authority has a critical role in supporting electricity networks to enable growth, in a way that is consistent with its principal objective, general duties, and functions.
13. The government welcomes the views of the Authority on appropriate metrics and evidence that may underpin an assessment of growth, as enabled by electricity networks. The Modern Industrial Strategy sets out that growth is driven by business investment in the UK and particularly in the UK’s high growth sectors, increasing productivity and exports, and the creation of good jobs across the country.⁹
14. Notwithstanding the anticipated changes that will be brought out by implementation of the Ofgem review report:
 - The Authority should consider how its strategic planning aligns with the desirability to promote growth through electricity networks across the UK.
 - The Authority should consider where it can make changes to its strategic plans to ensure that these are supporting growth through electricity networks, within the parameters set by the Authority’s objective, duties, and functions.

⁸ National Wealth Fund (2025) ‘[Scottish Power: Factsheet](#)’ (PDF), ‘[SSEN Transmission: Factsheet](#)’ (PDF); & ENA/BEAMA (2025) ‘[Electricity Networks Sector Growth Plan: Interim Report](#)’

⁹ DBT (2025) ‘[The UK’s Modern Industrial Strategy](#)’, page 11

- The Authority should consider where it can incorporate workforce and skills standards into its strategic plans and wider regulatory approach to ensure sector consistency and the creation of good quality jobs, in line with the objectives of the Clean Energy Jobs Plan.
15. The opportunity to drive growth extends to the procurement of critical network equipment and components. In this case, the government expects that:
- The Authority should consider how it can ensure that its regulation is enabling procurement approaches that strengthen domestic capability, improve energy security, and resilience in supply chains and skills, while supporting value for money for billpayers and delivery confidence.
 - The Authority should explore setting clearer expectations for our regulated entities by considering the development of near-term guidance which outlines growth metrics and benefits across the sector for network owners to consider in their procurements.
 - The Authority should work with officials at the Department for Energy Security and Net Zero (DESNZ) and the sector more broadly to ensure that any future SPS can build on these metrics and benefits to provide a clear expectation that works for government, the Authority, and industry.
16. In relation to the expectations set in Paragraph [13], it is the government's view that regulated companies are well placed to do more to ensure that social value is treated as a meaningful, measurable element of procurement and contract award decisions, alongside cost, quality, delivery confidence, and risk. The government's procurement policy notes (PPN 06/20 and PPN 002) mandate that government departments include social value as scored criterion in procurement, with a minimum weighting of 10%.¹⁰
17. To fully harness the current growth opportunity in electricity networks, the Authority should consider how it can ensure its regulation is enabling a procurement approach that takes social value into account to a comparable extent as outlined in Paragraph [14], and as far as possible within existing its legal and regulatory framework. The Authority should consider how to interpret and define social value in view of its sector expertise; any definition should pay focused consideration to the government's growth and Industrial Strategy ambitions and should appropriately support the build-up of our domestic manufacturing, services, and skills capacity especially for critical manufacturing elements.
18. It should also consider the relevant implications of the Chancellor's recent letter to central government departments (21 May 2026), including the government's objective to protect essential security interests and, in doing so, support British businesses, jobs and skills where they are most needed to safeguard sovereign capabilities and enhance supply chain resilience. This includes the need to foster a resilient economy that supports British businesses and creates good quality jobs and apprenticeships in communities across the country. The government recognises achieving this will require a fundamental shift in our purchasing philosophy as outlined in Paragraph [9].

¹⁰ Cabinet Office (2020) '[Procurement Policy Note 06/20: Taking account of social value in the award of central government contracts](#)' & Cabinet Office (2025) '[PPN 002: Taking account of social value in the award of contracts](#)'

19. While the Transmission Owners (TOs), as private utilities, are not currently subject to the National Procurement Policy Statement (NPPS), the government considers that they have a distinct role to play in working with the Authority to deliver growth for the UK. The government is therefore strongly encouraging the TOs to take a more ambitious approach to procurement by applying a minimum 10% social value weighting exclusively focused on critical domestic manufacturing and Industrial Strategy elements.
20. Government is also seeking a commitment from TOs that they will voluntarily comply with the NPPS, and by extension the Social Value PPN, going forwards, alongside other applicable PPNs (where relevant) and enhanced procurement pipeline transparency. This will support TOs in applying commercial best practice and ensure consistency with the government's growth objectives.
21. The Authority should also consider how, in line with its objective and duties, it could adopt an approach in which final UK assembly is directly encouraged, with evaluation criteria and weighting designed to maximise supply chain resilience – generating positive economic industrial effects while fortifying and modernising our ability to produce goods within the UK.

Section 4: Social and environmental guidance – Accountability

This section sets out the Authority's reporting requirements in view of this social and environmental guidance.

22. The government expects the Authority to demonstrate how it has helped the government make progress towards the considerations set out in this guidance and requests that the authority discuss progress against them with senior officials and/or ministers on a quarterly basis. The government also requests that the Authority provide a further update on progress in writing for publication on an annual basis.

Section 5: Summary of considerations

#	Description
1	The Authority should consider how its strategic planning aligns with the imperative to drive growth through electricity networks across the UK.
2	The Authority should consider where it can make changes to its strategic plans to ensure that these are supporting growth through electricity networks, within the parameters set by the Authority's objective, duties, and functions.

#	Description
3	The Authority should consider where it can incorporate workforce and skills standards into its strategic plans and wider regulatory approach to ensure sector consistency and the creation of good quality jobs, in line with the objectives of the Clean Energy Jobs Plan.
4	The Authority should consider how it can ensure that its regulation is enabling procurement approaches that strengthen domestic capability, improve energy security, and resilience in supply chains and skills, while supporting value for money for billpayers and delivery confidence.
5	The Authority should explore setting clearer expectations for our regulated entities by considering the development of near-term guidance which outlines growth metrics and benefits across the sector for network owners to consider in their procurements.
6	The Authority should work with officials at the Department for Energy Security and Net Zero and the sector more broadly to ensure that any future SPS can build on these metrics and benefits to provide a clear expectation that works for government, the Authority, and industry.
7	To fully harness the current growth opportunity in electricity networks, the Authority should consider how it can ensure its regulation is enabling a procurement approach that takes social value into account to a comparable extent as outlined in Paragraph [14], and as far as possible within existing its legal and regulatory framework. The Authority should consider how it can interpret and define social value in view of its sector expertise; any definition should pay focused consideration to the government's growth and Industrial Strategy ambitions and should appropriately support the build-up of our domestic manufacturing, services, and skills capacity especially for critical manufacturing elements.
8	The Authority should also consider how, in line with its objective and duties, it could adopt an approach in which final UK assembly is directly encouraged, with evaluation criteria and weighting designed to maximise supply chain resilience – generating positive economic industrial effects while fortifying and modernising our ability to produce goods within the UK.
9	The government expects the Authority to demonstrate how it has helped the government make progress towards the considerations set out in this guidance and requests that the authority discuss progress against them with senior officials and/or ministers on a quarterly basis. The government also requests that the Authority provide a further update on progress in writing for publication on an annual basis.

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